

Instructions for Form FTB 3800

Tax Computation for Children Under Age 14 with Investment Income

General Information

California does not conform to the provision of the Federal Tax Increase Prevention and Reconciliation Act which increased the age of children from under 14 to under 18 for elections made by parents reporting their child's interest and dividends. It also increased the maximum age for a child required to report investment income on their own return and is subject to the parent's tax rate. If you are age 14 and reporting interest or dividend income, you may not use this form.

California does not conform to the provision of the Small Business and Work Opportunity Act of 2007 which increased the age of children from under 18 to 18 and under or a student under age 24.

Registered Domestic Partners (RDP) – For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a Registered Domestic Partner (RDP) unless otherwise specified. When we use the initials (RDP) they refer to both a California Registered Domestic "Partner" and a California Registered Domestic "Partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Round Cents to Dollars – Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, the Franchise Tax Board (FTB) will disregard the cents. This change helps process your returns quickly and accurately.

Purpose

For children under age 14, investment income over \$1,800 is taxed at the parent's rate if the parent's rate is higher. Use form FTB 3800, Tax Computation for Children Under Age 14 with Investment Income, to figure the child's tax.

Complete form FTB 3800 if all of the following apply:

- The child is under age 14 at the end of 2008. A child born on January 1, 1995 is considered to be age 14 at the end of 2008.
- The child had investment income taxable by California of more than \$1,800.
- At least one of the child's parents was alive at the end of 2008.

If the child uses form FTB 3800, file Form 540, California Resident Income Tax Return, or Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

If the child does not file form FTB 3800, figure the tax in the normal manner on the child's Form 540/540A, or Long or Short Form 540NR.

Parents of children under age 14 at the end of 2008, may elect to include the child's investment income on the parent's tax return. To make this election, the child must have had income only from interest and dividends. The election is not available if estimated tax payments were made in the child's name. Get form FTB 3803, Parents' Election to Report Child's Interest and Dividends, for more information. If parents make this election, the child will not have to file a California tax return or form FTB 3800.

If you elect to report your child's income on your federal income tax return, but not on your California income tax return, be sure to make an adjustment on your Schedule CA (540 or 540NR), line 21f.

Specific Line Instructions

Parent's Name and Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)

If federal Form 8615, Tax for Children Under Age 18 With Investment Income of More Than \$1,700, was filed with the child's federal tax return, enter the name and SSN or ITIN of the same parent who was identified at the top of federal Form 8615.

If the child's parents were married to each other or in a RDP and filed a joint 2008 California tax return, enter the name and SSN or ITIN of the parent who is listed first on the joint return.

If the parents were married or in a RDP but filed separate California tax returns, enter the name and SSN or ITIN of the parent with the **higher** taxable income.

If the parents were unmarried, treated as unmarried for tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and SSN or ITIN of the parent who had custody of the child for most of 2008.

Exception. If the custodial parent remarried or entered into a RDP and filed a joint return with the new spouse/RDP, enter the name and SSN or ITIN of the person listed first on the joint return, even if that person is not the child's parent. If the custodial parent and the new spouse/RDP filed separate California tax returns, enter the name and SSN or ITIN of the person with the **higher** taxable income, even if that person is not the child's parent.

If the child's parents were unmarried but lived together during the year with the child, enter the name and SSN or ITIN of the parent who had the **higher** taxable income.

Part I Child's Net Investment Income

Line 1 – Enter the child's investment income. Include income such as taxable interest, dividends, capital gains, rents, annuities, and income received as a beneficiary. In most cases, this will be the same as the amount entered on federal Form 8615, include only income taxable by California. Also, include investment income that was not taxed on the child's federal tax return but is taxable under California law. For more information, get the instructions for Schedule CA (540 or 540NR), line 8 and line 9.

If the child had earned income (defined below), use the following worksheet to figure the amount to enter on form FTB 3800, line 1.

- Enter the amount of the child's adjusted gross income from Form 540, line 17 or Long Form 540NR, line 17, whichever applies 1 _____
- Enter the child's earned income 2 _____
(wages, tips, and other payments received for personal services performed)
- Subtract line 2 from line 1. Enter the result here and on form FTB 3800, line 1 3 _____

Line 2 – If the child itemized deductions, enter the greater of:

\$900 plus the portion of the amount on Form 540, line 18 or Long Form 540NR, line 18, that is directly connected with the production of the investment income shown on form FTB 3800, line 1 or \$1,800.

Part II Tentative Tax Based on Parent's Tax Rate

If the parent used Form 540 2EZ, refigure your tax by referring to the tax table for Form 540 or Form 540A in order to complete this part. Using Form 540 2EZ will **not** produce the correct result.

Line 6 – Enter the taxable income from Forms 540/540A, line 19; or **total taxable income** from Long or Short Form 540NR, line 19 of the parent whose name is shown at the top of form FTB 3800. If the parent's taxable income is less than zero, enter -0- on line 6. If the parent filed a joint California tax return, enter the taxable income shown on that return even if the parent's spouse/RDP is not the child's parent.

Line 7 – If the individual identified as the parent on this form FTB 3800 is also identified as the parent on any other form FTB 3800, add the amounts, if any, from line 5 on each of the other forms FTB 3800 and enter the total on line 7.

Line 9 – Use the California tax table or tax rate schedules in the 2008 instructions for Forms 540/540A to find the tax for the amount on line 8, based on the parent's filing status.

Long or Short Form 540NR Filers: To figure a revised California adjusted gross income and a tentative tax based on the parent's tax rate, complete the following worksheet.

- A Enter the child's portion of the net investment income that must be included in the child's CA adjusted gross income.
- B Enter parent's CA adjusted gross income from Long or Short Form 540NR, Line 21
- C Add line A and line B
- D Enter the child's investment income (form FTB 3800, line 5)
- E Enter parent's adjusted gross income from all sources from Long or Short Form 540NR, line 17. ...
- If the parents have other children for whom form FTB 3800 was completed, add the other children's net investment income to the parent's CA adjusted gross income on line B and to the parent's adjusted gross income from all sources on line E.
- F Add line D and line E
- G Divide line C by line F (not to exceed 1.0)
- H Enter the parent's total itemized deductions or standard deduction from Long or Short Form 540NR, line 18
- I Multiply line H by line G
- J Subtract line I from line C
- K Subtract line H from line F
- L Find the tax on the amount on line K for the parent's filing status (Use the tax table or tax rate schedules in the 2008 instructions for Long or Short Form 540NR)
- M Divide line L by line K
- N Multiply line J by line M. Enter the result on form FTB 3800, line 9.

Line 10 – Enter the tax shown on the tax return of the parent identified at the top of form FTB 3800 from Forms 540/540A, line 20.

If the parent filed a joint tax return, enter on line 10 the tax shown on that tax return even if the parent's spouse/RDP is not the child's parent.

Long Form 540NR Filers: If the parent's tax amount on Long Form 540NR, line 24 does not include an amount from form FTB 3803, then enter the parent's tax amount from Long Form 540NR, line 24.

If the parent's tax amount on Long Form 540NR, line 24 includes an amount from form FTB 3803, revise the parent's tax by completing the following worksheet.

- A Enter the tax from the parent's Long Form 540NR, line 20.
- B Enter the tax from form FTB 3803
- C Subtract line B from line A
- D Enter the amount from the parent's Long Form 540NR, line 19.
- E Divide line C by line D
- F Enter the amount from the parent's Long Form 540NR, line 22.
- G Multiply line F by line E. Enter the result on form FTB 3800, line 10.

Part III Child's Tax

Line 15 – Use the California tax table or tax rate schedules in the 2008 instructions for Form 540 to find the tax for the amount on line 14 based on the child's filing status.

Long Form 540NR Filers: To figure a revised California adjusted gross income for the child and the child's tax, complete the following worksheet.

- A Enter the child's CA adjusted gross income from Long Form 540NR, line 21
- B Enter the portion of the child's net investment income that must be included in the child's CA adjusted gross income.
- C Subtract line B from line A
- D Enter the child's adjusted gross income from all sources from Long Form 540NR, line 17
- E Enter the child's investment income (form FTB 3800, line 5)
- F Subtract line E from line D
- G Divide line C by line F (not to exceed 1.0)
- H Enter the child's total itemized deductions or standard deduction from Long or Short Form 540NR, line 18
- I Multiply line H by line G
- J Subtract line I from line C
- K Subtract line H from line F
- L Find the tax on the amount on line K for the child's filing status (Use the tax table or tax rate schedules in the 2008 instructions for Long Form 540NR)
- M Divide line L by line K
- N Multiply line J by line M. Enter the result on form FTB 3800, line 15

Line 17 – Use the California tax table or tax rate schedules found in the 2008 instructions for Form 540 to find the tax for the amount on line 4, based on the child's filing status.

Long Form 540NR Filers:

- A Enter the amount from form FTB 3800, line 4
- B Find the tax for the amount on line A, by using the tax table or tax rate schedules in the 2008 instructions for Long Form 540NR based on the child's filing status.
- C Divide line B by line A
- D Enter the amount from the child's Long Form 540NR, line 22.
- E Multiply line D by line C. Enter the result on form FTB 3800, line 17

Line 18 – Compare the amounts on line 16 and line 17 and enter the **larger** of the two amounts on line 18. Be sure to fill in the circle labeled "FTB 3800" on Form 540, line 20 of the child's tax return.

Long Form 540NR Filers: Divide the child's Long Form 540NR, line 22 by the child's Long Form 540NR, line 19 to determine the child's percentage. Divide the **larger** of line 16 or line 17, by the percentage. Enter the amount on line 18 and on the child's Long Form 540NR, line 20. Be sure to fill in the circle labeled "FTB 3800" on the child's Long Form 540NR.